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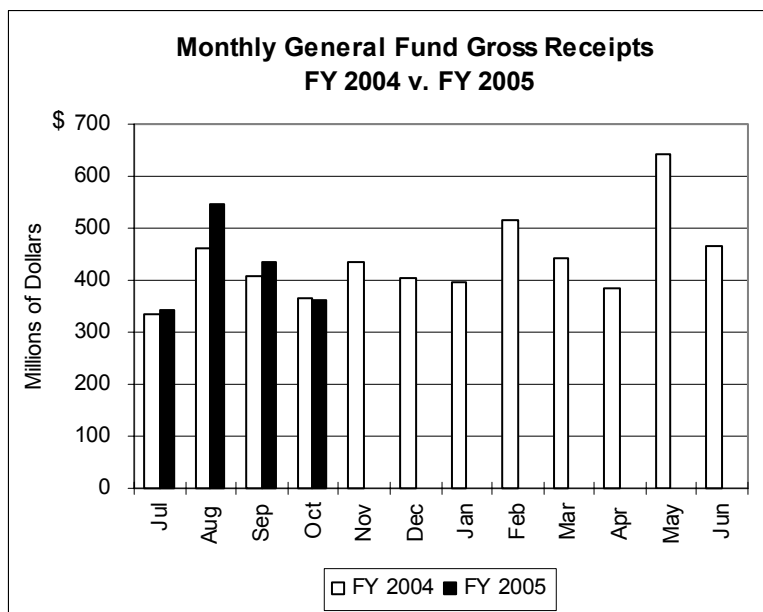
ADMINISTRATIVE SERVICES  
 TIMOTHY C. FALLER

## MEMORANDUM

TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives  
 FROM: Dennis C. Prouty  
 DATE: November 1, 2004

### Monthly General Fund Receipts through October 31, 2004

The attached spreadsheet presents year-to-date FY 2005 General Fund receipts, with comparable figures for actual FY 2004. The figures can be compared to the FY 2005 estimate of \$5.374 billion set by the Revenue Estimating Conference (REC) on October 11, 2004. The FY 2005 estimate is an increase of \$116.8 million (2.2%) compared to actual FY 2004 gross cash receipts (excluding transfers and accrued revenue changes). The next Revenue Estimating Conference will be held in December.



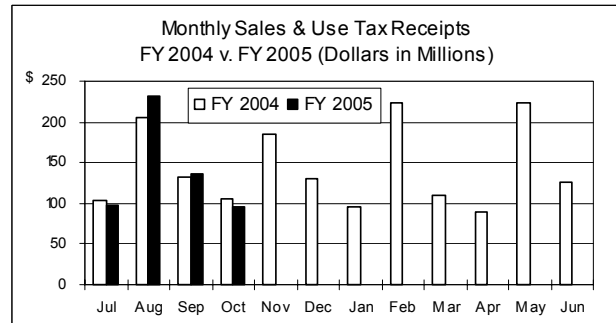
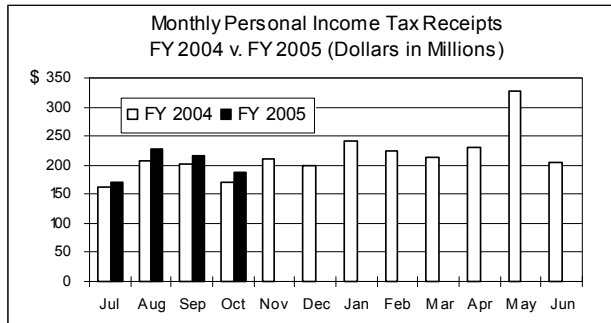
### FY 2005 Compared to FY 2004

FY 2005 total cash gross revenues (excluding transfers) increased \$113.1 million (7.2%) compared to FY 2004 (through October). Major revenue sources contributing to the change include:

- Personal income tax (positive \$58.4 million)
- Sales/use tax (positive \$13.0 million)
- Corporate tax payments (positive \$19.7 million)
- Other taxes (positive \$15.4 million)
- Other receipts (positive \$6.6 million)

**Personal income tax** revenues received in October totaled \$187.5 million, an increase of \$15.7 million (9.1%) compared to October 2004. For the month, withholding tax payments increased 9.2% and estimated tax payments increased 11.5%. Payments with returns are not a significant revenue source in September.

The FY 2005 REC income tax estimate of \$2.695 billion represents a projected increase of 3.9% compared to actual FY 2004. Year-to-date, income tax receipts have increased 7.9%. The following Chart compares FY 2005 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2004.



**Sales & Use tax** receipts received in October totaled \$95.2 million, a decrease of \$10.3 million (- 9.8%) compared to October 2003. The decrease was due to October 30 and 31 falling on a weekend during 2004. Large quarterly deposits normally start during the last few days of October. The weekend will push those deposits into early November this year.

The REC estimate for FY 2005 sales/use tax receipts is \$1.763 billion, an increase of 1.8% compared to actual FY 2004. Year-to-date, sales/use tax receipts have increased 2.4%. The preceding Chart compares FY 2005 monthly sales/use tax receipts with FY 2004.

**Corporate tax** receipts received in October totaled \$28.0 million, an \$8.4 million increase (42.9%) compared to October 2003.

The REC estimate for FY 2005 corporate tax receipts is \$240.4 million, which represents an increase of 2.4% compared to actual FY 2004. Year-to-date corporate tax receipts have increased 34.1%. Tax law changes related to bonus depreciation and Section 179 expensing will impact the remainder of the year and should reduce the percentage growth going forward.

**Other tax** receipts received in October were \$19.9 million, a \$4.7 million (- 19.1%) decrease compared to October 2003. Franchise, inheritance, and cigarette tax receipts were down for the month.

The REC estimate for FY 2005 receipts from other taxes is \$357.0 million, which represents a decrease of 2.6% compared to actual FY 2004. Year-to-date, other tax receipts have increased 18.0%. The large year-to-date increase is due to insurance premium tax rate and due date changes taking place in FY 2005 and will result in extra revenue in the first eight months of the fiscal year and reduced revenue during the final four months. This will cause the revenue category to appear above projections during those first eight months.

**Other receipts** (non-tax receipts) received in October totaled \$31.9 million, a decrease of \$10.6 million (- 24.9%) compared to October 2003. Fee revenue decreased \$4.6 million and racing and gaming revenue decreased \$4.6 million for the month.

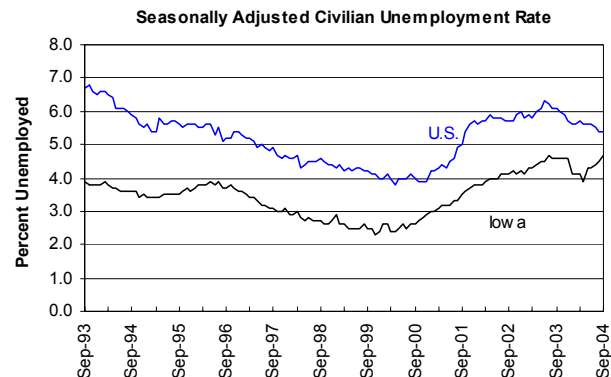
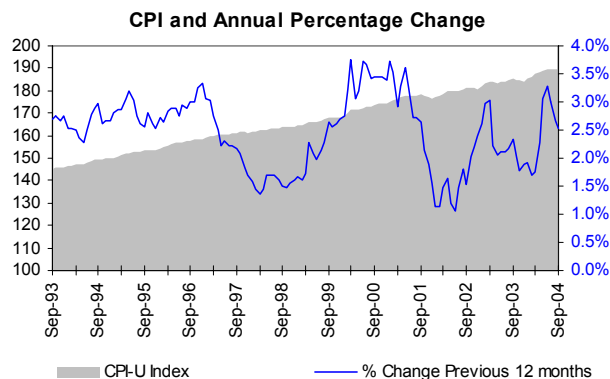
The REC estimate for FY 2005 other receipt revenue is \$319.9 million, which represents a decrease of 3.6% compared to actual FY 2004. The projected decrease relates to transfers from the Unclaimed Property Fund. Year-to-date, other receipts have increased 4.9%. The increase is due to a large unclaimed property transfer in early July.

### Status of the Economy

The September seasonally adjusted Iowa civilian unemployment rate was 4.7%, an increase of 0.2% compared to the August level and 0.1% higher than one year ago. Iowa's total seasonally adjusted September 2004 employment registered at 1,553,600, up 28,000 (1.8%) from last year's September level.

The number of unemployed persons in Iowa was reported at 76,400 in September, an increase of 2,900 compared to September 2003.

The U.S. unemployment rate for September 2004 was 5.4%, 0.7 percentage points above the Iowa rate. This is as close as the Iowa and national rates have been since September 1987. The U.S. rate one year ago was 6.1%.



Consumer prices increased 0.2% during the month of September (not seasonally adjusted). The Consumer Price Index (CPI-U) through September 2004 was 189.9 (1983/84=100), 2.5% higher than one year ago. The following charts illustrate Consumer Price Index and U.S./Iowa unemployment comparisons through September.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2004 vs. FY 2005 July 1 through October 31, in millions of dollars Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 04 Actual Compared to FY 05 REC Estimate		
	FY 2004	FY 2005	Year to Date % CHANGE	October % CHANGE	Actual FY 2004	Estimate FY 2005	Projected % CHANGE
Personal Income Tax	\$ 742.5	\$ 800.9	7.9%	9.1%	\$ 2,592.3	\$ 2,694.5	3.9%
Sales/Use Tax	548.4	561.4	2.4%	-9.8%	1,732.4	1,762.9	1.8%
Corporate Income Tax	57.8	77.5	34.1%	42.9%	234.8	240.4	2.4%
Inheritance Tax	28.6	28.7	0.3%	-23.9%	80.1	72.7	-9.2%
Insurance Premium Tax	5.3	21.6	307.5%	0.0%	138.2	135.0	-2.3%
Cigarette Tax	29.7	29.8	0.3%	-6.5%	87.1	86.2	-1.0%
Tobacco Tax	2.7	2.8	3.7%	0.0%	8.0	8.1	1.3%
Beer Tax	5.2	5.3	1.9%	9.1%	14.0	14.1	0.7%
Franchise Tax	11.7	10.6	-9.4%	-43.9%	38.0	39.9	5.0%
Miscellaneous Tax	2.3	2.1	-8.7%	-21.1%	1.1	1.0	-9.1%
Total Special Taxes	\$ 1,434.3	\$ 1,540.6	7.4%	2.8%	\$ 4,926.0	\$ 5,054.8	2.6%
Institutional Payments	4.0	4.4	10.0%	22.2%	13.7	13.2	-3.6%
Liquor Profits	15.0	15.0	0.0%	0.0%	58.0	60.1	3.6%
Interest	1.9	1.9	0.0%	-25.0%	7.6	6.0	-21.1%
Fees	25.2	17.6	-30.2%	-51.7%	79.9	68.2	-14.6%
Judicial Revenue	13.7	14.3	4.4%	6.8%	57.5	57.3	-0.3%
Miscellaneous Receipts	15.3	28.5	86.3%	-50.0%	55.2	55.1	-0.2%
Racing and Gaming Receipts	60.0	60.0	0.0%	-25.7%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 1,569.4	\$ 1,682.4	7.2%	-0.4%	\$ 5,257.9	\$ 5,374.7	2.2%